

April 7, 2008

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Chairman Dodd and members of the Committee:

In 2005, my husband and I purchased our home. We budgeted carefully and then enlisted the help of what we thought were a respected and well-known broker. We did our homework. My husband and I were told we would have a monthly payment of \$925 a month. We went to the closing table with that in mind and designed our household budget around that.

Just 10 days later we received a letter in the mail stating that at a mistake had been made at closing. The interest rate we were given was not going to be 7% but rather 10.95%. Our payments would not be \$925 but rather \$1200. We considered backing out then, but we had already moved into the home. Our children were settling in, to pack everything back up was something we could not do. We had already put so much money out. Fred and I decided that although we would struggle, we would make it.

Then in 2007, the unthinkable happened. Our rate adjusted upward and our new payment was now \$1671 a month. A home we thought we were getting for \$925 a month in 2005 is costing us nearly double that today. My husband works 16 hour days, 6 days a week, but still we are not able to keep up with the payment. We made partial payments, all that we could, but soon found ourselves facing foreclosure.

We explored refinancing but now our credit is damaged and on top of that we have a prepayment penalty; if we do refinance we have to pay GMAC a huge fee upfront. We have been trapped into a terrible loan by greedy, predatory and fraudulent lending practices.

Late last year I contacted ACORN after seeing a piece on television about how many homeowners were expected to go into foreclosure in Philadelphia of the next year. It was then



that I realized I was not alone in this mess. I sought out help on my loan but I also worried about my neighbors, some of them seniors, who were and are going through the same thing.

After months of negotiation with my lender, ACORN Housing modified my loan, so that I am paying \$1284 a month and that my loan has a true fixed interest rate. Now that I know how these lenders operate I read that modification over and over to find the hidden language. My modification officially does not take place until 6 payments at the new rate are made and on top of that GMAC's loss mitigation department forgot to tell their collections department that my loan had been modified and my arrears settled. Just three weeks ago, I received a notice for a May Sheriff Sale on my door. We straightened it out, but that type of oversight shows the type of chaos that is happening behind closed doors at the offices of the subprime servicers right now. What we are saying here in Philadelphia is that we as a City of neighborhoods will not stand by as our communities are destroyed. When I hear that there were 6,237 foreclosure filings last year I think about how many families that represents. My family consists of me, my husband, four kids and a dog. Where are 32,000 displaced people going to go?

For each foreclosure on a block, property values go down and crime goes up. Tax revenues to the city go down across the board. The loans made in 2006 are going to cost the City \$345 million dollars. Can our schools face the cut that \$345 million in lost revenue means? Can the Licenses and Inspection department board up and keep the copper pipes in those homes? We do not think the City and its neighborhoods should have to bear the burden of these predatory lending practices.

On March 25th, Ms. Jones and I hosted a meeting at House of Prayer Episcopal Church to discuss this crisis. Over one hundred of our neighbors came out, Councilman Jones and other members of Council came out. We all agreed that the City should do all it could to prevent what has happened in Cleveland and Detroit because of these loans from happening here. Just a few days later Councilman Jones and Councilwoman Tasco introduced and unanimously passed a resolution calling on the Sheriff to stop Sheriff Sales on owner-occupied homes with subprime loans. Thirty minutes later the Sheriff announced that April's Sheriff Sales had been



postponed and that we would not have mortgage foreclosure sales in the City until lenders come to the table to offer real solutions to this crisis.

We think that maybe these lenders are waiting for the government to bail them out of the mess they created. They talk a good game about wanting to fix these loans, but they have modified less than 1% of the subprime loans they need to. Each case takes 3-5 months to resolve, if it is resolved at all. The reason it takes so long is that there are different criteria for each borrower.

We need a standard, streamlined approach for fixing the 2.2 million loans set for foreclosure nationally this year. We need a set affordability standard to fix these loans, not an arbitrary decision based on who you happen to get on the phone when you call your lender. Housing counselors should be able to plug in information about a borrower and their loan into a computer and get an immediate answer to what the loan modification will be. That is the type of fast process the brokers have when they were searching out these terrible loans, it is only right that they fix these loans just as fast.

We cannot wait for a solitary loss mitigation staff person to pull out the abacus for each and every individual case. Our neighborhoods will never recover is this is how they are going to handle this crisis.

ACORN and the City of Philadelphia will not sit idly by and see our neighborhoods destroyed. As evidenced by the actions of City Council and the Sheriff, Philadelphia will fight back and hold lenders accountable for their actions. We will require them to fix these failing loans.

We cannot wait for solutions to come from the state or federal level either, or else we may suffer the same fate as so many cities that have already been devastated by this crisis. We have acted now and we expect and hope that other cities will join us. We also hope that other states will join us and demand answers from those who caused the housing collapse we now face.



Lastly and most importantly we need the federal government to join with us to demand solutions from lenders, especially a standard and streamlined system to modify subprime loans for owner-occupied hornes. Any regulations and legislation must be aimed at helping consumers and borrowers not just investors and lenders.

Thank you for coming to our wonderful City of Philadelphia and thank you for giving ACORN the opportunity to testify on what we feel is the most pressing issue facing our economy today. We look forward to answering any questions you may have.